

**CALENDAR ITEM
C65**

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V. Perez

**CONSIDER APPLICATION FOR A PROSPECTING PERMIT FOR
MINERALS OTHER THAN OIL, GAS, AND GEOTHERMAL
RESOURCES ON STATE SCHOOL LANDS,
SAN BERNARDINO COUNTY**

APPLICANT:

Bagdad Chase, Inc.
Attn.: Mr. George Rodda, Jr.
33440 Barrington Drive
Temecula, CA 92592

AREA, TYPE LAND AND LOCATION:

All of Section 16, T6N, R8E, SBM, San Bernardino County, containing 640 acres, more or less, of State school lands (SLC Parcel # 193-003, APN # 0551-171-12), near the town of Ludlow.

BACKGROUND:

On November 2, 2010, the California State Lands Commission (Commission) staff received an application from Bagdad Chase, Inc. (Bagdad) to prospect for solid minerals on approximately 640 acres of State fee-owned lands. Staff deemed the application complete on February 9, 2011.

Bagdad's purpose for seeking a prospecting permit is to determine whether the parcel contains commercial-grade construction materials that would warrant a longer leasing arrangement with the Commission. If the desired minerals are present, Bagdad believes that a mining operation might be economically viable due to the high demand for aggregate if numerous proposed renewable energy and energy transmission projects in the area are developed.

The initial stage of the proposed exploration consists of collecting small rock samples under the guidance of Bagdad's Staff Geologist Peter J. Butterfield and Project Director/Biologist, Douglas Erickson. Bagdad estimates the maximum amount of samples taken from the parcel would fill about a dozen five-gallon

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buckets. The maximum size of the rock samples to be taken is estimated to be no larger than a baseball. The sampling will require one small pickup truck. The vehicle will be used only on existing roads; samplers will access more remote sites on foot. No heavy equipment or large vehicles will be allowed. The collecting phases will vary depending upon the results of the initial hand sampling. More samples will be taken from those areas of Section 16 that appear more promising for construction materials than from less-promising areas.

Bagdad has established a crushed rock sampling analysis account with ALS Minerals in Reno, Nevada. Mr. Erickson will deliver the rock samples personally to the lab in Reno to avoid concerns related to chain of custody. Bagdad will be required to send Staff quarterly reports of its progress, together with analysis of its rock samples, during the term of the prospecting permit.

To ensure that the prospecting will not affect the desert tortoise, a state and federally threatened species which is likely present on the parcel, Staff has added permit conditions to be included within Exhibit B of the prospecting permit (see Exhibit C, attached hereto). These conditions are designed to minimize the possibility that the permitted activity will harm any tortoises or tortoise burrows.

TERMS OF PROPOSED PROJECT:

The initial term of the CEQA-exempt mineral prospecting permit shall be one year beginning May 1, 2011 and ending April 30, 2012. The Commission, in its discretion, may extend the term for no more than two additional periods, not to exceed one year each, so that in no event the term of the permit shall exceed three years.

ROYALTY:

In accordance with Public Resources Code section 6896, royalty payable under this permit shall be 20 percent of the gross value of the minerals secured from the permitted area and sold, or otherwise disposed of, or held for sale or other disposition.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

1. The required filing fee, processing fee and acreage deposit have been submitted by the applicant.
2. The subject parcel is not known to contain commercially-valuable mineral deposits.

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3. If permittee perfects the permit into a preferential lease, the determination of the royalty charges for commercial production shall be at the discretion of the Commission and set forth in the lease. Permittee understands that pursuant to Public Resources Code section 6895, the royalty under a mineral lease cannot be less than ten percent (10%) of the gross value less any approved charges for processing and/or transportation.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section: Division 6, section 6891
- B. California Code of Regulations: Title 2, section 2200

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 6, Information Collection; Title 2, California Code of Regulations, section 2905(e)(3).

Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300 and Title 2, California Code of Regulations, section 2905.

2. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. However, the Commission has declared that all lands are "significant" by nature of their public ownership (as opposed to "environmentally significant"). Because such declaration of significance is not based upon the requirements and criteria of Public Resources Code sections 6370, et seq., use classifications for such lands have not been designated. Therefore, the finding of the project's consistency with the use classification as required by Title 2, California Code of Regulations, section 2954 is not applicable.
3. This mineral prospecting permit shall not provide for a performance bond or other security device in favor of the State until such time as the extent of further prospecting activity, such as an exploratory drilling program, is proposed by the applicant.

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APPROVALS OBTAINED:

Pursuant to Public Resources Code section 6890, the prospecting permit document has been approved by the Office of the Attorney General as to compliance with the applicable provisions of the law.

EXHIBITS:

- A. Land Description
- B. Site Map
- C. Prospecting Permit

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

1. Find that the activity is exempt from the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15061 as a categorically exempt project, Class 6, Information Collection; Title 2, California Code of Regulations, section 2905(e)(3).
2. The project shall include this prospecting permit with an initial term of one year that may be extended by the Commission for no more than two periods not to exceed one year each.
3. Determine that the lands described in the permit are not presently known to contain commercially-valuable mineral deposits.

AUTHORIZATION:

1. Authorize the issuance of a Mineral Prospecting Permit to Bagdad Chase, Inc. for all minerals other than oil, gas, and geothermal resources on section 16, T16N, R8E, SBM substantially in the form attached as Exhibit C and under the conditions set forth in Exhibit B of the permit.
2. Authorize the Executive Officer or his designee to execute any documents necessary to implement the Commission's action.